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SUBJECT: PREMIER ADDRESSES FINANCIAL CRISIS, TIBET, TAIWAN,
DPRK IN NPC CLOSING PRESS CONFERENCE

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SUMMARY

I1. (SBU) Premier Wen Jiabao set the tone for his annual press conference at the conclusion of the National People's Congress (NPC) by noting on March 13 that this year's NPC session had been convened in the midst of the global financial crisis and therefore had focused on China's financial stimulus plan. "Confidence, not gold or money" was the key to making China's stimulus plan a success, the Premier said. China's plan for dealing with the economic crisis would include large government investment in infrastructure as well as the social safety net, industrial restructuring, environmental protection and technology; projects already included in the 11th Five-Year Plan such as roads and railways; and new projects such as tax relief, pension reform, employment training and rural health programs that would be funded separately. China's foreign exchange reserves and sound financial system would help it get through the crisis; China would manage its forex reserves and RMB value according to its own interest; the eight percent economic growth rate target was "achievable"; and money would be spent in a "transparent process subject to oversight." Wen said he was "a little concerned" about the security of China's assets in the United States because of China's large holdings of U.S. debt and urged the United States to "honor its credit, abide by its promises, and ensure the security of China's assets." (NOTE: Xinhua news agency, in English, carried the comments about the Premier's "worries" while at the same time reporting that Wen expected U.S. measures would "counter" the international financial crisis and that Chinese reserves currently were "generally safe.")

I2. (SBU) Summary Continued: Turning to Tibet, Wen reiterated China's hard-line stance by lashing out at the Dalai Lama's "lies" and asserting that the Dalai Lama was a political, not religious, leader bent on Tibetan independence. China stands ready to continue talks with the Dalai Lama, as long as he abandons "separatism." On Taiwan, the Premier stressed the need to "intensify" consultations on reaching an economic agreement. Wen dodged a question on a possible North Korean missile launch, stating instead that the main task was to restart the Six-Party Process and avoid "contentious actions." DPRK Premier Kim Yong-Il will visit China soon at Wen's invitation, based on PRC-DPRK "traditional friendship." Addressing the state of Sino-French relations, the Premier said the onus was on Paris to repair the damage to the relationship caused by French President Sarkozy's meeting

with the Dalai Lama. End Summary.

WEN FOCUSES ON ECONOMY, TIBET, TAIWAN, DPRK

¶3. (U) Premier Wen Jiabao's March 13 press conference again served this year as the final event in China's annual political spectacle, the "two meetings" (the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC)). Appearing at the press conference immediately following the formal close of the NPC earlier that morning (ref A), a confident and well-prepared Premier Wen met with a large contingent of foreign and domestic press for two and one-half hours, answering questions on China's financial stimulus package, Tibet, Taiwan, the DPRK and a range of other issues.

¶4. (U) Wen set the tone for the event by first noting that this year's NPC had been convened in the midst of a global financial crisis and that the NPC Government Work Report had spilt considerable ink on China's financial stimulus plan. Reiterating his "confidence" mantra, Wen recalled that in September of last year when the true dimensions of the economic crisis were not yet clear, he had said that "confidence, not gold or money" would be required to tackle the problem. Now, half a year later, confidence is the key to making China's stimulus plan a success. All journalists, he declared, have a "responsibility" to spread this message of confidence.

STIMULUS PACKAGE: DISPELLING RUMORS

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¶5. (U) Wen reviewed China's approach to the global financial crisis, particularly its financial stimulus package and expectations of a new stimulus plan, in response to several questions. Wen lamented the many "rumors" which had led to "misunderstandings" of China's package, clarifying that the central government will only invest 1.18 trillion RMB out of the two-year four trillion RMB stimulus package. The central government's investment mainly would go to projects addressing the people's well-being, projects concerning technological transformation, environmental protection and infrastructure investment.

¶6. (U) The 1.18 trillion RMB did not include many other projects, such as tax relief, worker training, pension reform, increasing rural incomes, rural medical and health programs, Wen explained. Wen also explained that some of the investment projects under the overall four trillion RMB package were already included in the 11th Five-Year Plan, such as public roads and railroads, projects that had already been evaluated and preparations made, so they would be accelerated under the stimulus package. He emphasized that massive government investment in infrastructure and other projects would yield the "most direct, efficient, and strong" impetus to growth. The 1.18 trillion RMB is all for "new investment," Wen said.

¶7. (U) Turning to other economic issues, Wen provided statistics to argue that PRC debt had declined over the past five years and revenues had increased, which he claimed allowed the Government to feel confident about this year's deficit spending policy. On increasing employment opportunities, Wen said the stimulus package will help small and medium enterprises (SMEs), which are the key to the employment problem, accounting for 90 percent of jobs in China. There are specific policies to help migrant workers and students, Wen stated, claiming that "in general," the employment situation is "stable."

¶8. (U) China was looking ahead to even tougher times and was prepared for whatever may come, Wen concluded. Reiterating a strong theme in the NPC Government Work Report, he said "the

entire process will be transparent and subject to oversight."

Wen sought to dispel "doubts" that the Government can achieve the eight percent growth rate it has set as this year's goal, in response to a Renmin Ribao reporter's question. "It will not be easy," Wen said, acknowledging that "goals cannot determine everything," but this goal would be "possible" through hard work and a sense of necessity. The Government has "promised" to deliver and had a "responsibility" to do so. Ongoing marketization, urbanization, industrial restructuring, expanding domestic consumption, investment in rural areas, China's competitive edge in labor and a healthy financial system were all factors that will contribute to continued economic development, Wen said..

TIBET: CONTINUED HARSH LINE

¶ 9. (SBU) Wen maintained China's hard-line stance on Tibet by declaring that Tibet is an inalienable part of China's territory and that Tibet issues are purely China's internal affair. The "door remains open" to discussions with the Dalai Lama's representatives "as long as he stops his separatist activities." The Dalai Lama is a "political exile," not simply a religious figure," who is the leader of an "illegal, theocratic" government-in-exile. Noting that the Dalai Lama "travels around the world meeting with government leaders," Wen urged the international community to "watch what the Dalai Lama does, not simply listen to what he says."

¶ 10. (SBU) Wen lashed out at the Dalai Lama's response to Foreign Minister Yang Jiechi's March 7 press conference, in which when the Tibetan leader denied Yang's allegation that he had asked for the removal of Chinese military forces from Tibet and the expulsion of all Han Chinese. Calling these comments "lies," Wen cited statements allegedly made by the Dalai Lama in a "five-point proposal" in 1987 and a seven-point proposal in 1988 in which the Dalai Lama supposedly called for these steps to be taken. "The Dalai Lama can switch positions," Wen declared, but he "cannot deny what he has said in the past."

¶ 11. (SBU) Tibet was "peaceful and stable overall," in line with the wishes of the "Tibetan people," Wen claimed. The Chinese constitution and Law on Ethnic Autonomy stipulates freedoms, especially freedom of religious belief, and in recent years the Government has made a great effort to bring

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economic development to Tibet and improve the livelihood of Tibetan farmers and people. This opening up policy would continue, Wen declared, asserting that Tibet's "stability and security" were ample evidence that China's policies there had been "correct."

TAIWAN: FOCUS ON THE ECONOMY

¶ 12. (U) Wen praised the great progress made in cross-Strait economic integration, stating that the economies of the Mainland and Taiwan are "indivisible." He called for an "intensification" of consultations to reach an economic agreement and develop a cooperation mechanism. Economic progress must be "aligned with" a continued improvement in cross-Strait relations, the realities of trade and the special features of cross-Strait economic relations and trade in order to produce a "win-win" solution.

TAIWAN AND THE WHA?

¶ 13. (U) Responding to a question on Taiwan's possible participation in the World Health Assembly (WHA) this year, Wen referred to the Government Work Report in which he had reiterated China's position that it would make "fair and

reasonable arrangements" for Taiwan regarding some international bodies, "such as the WHA," involving the interests of "Taiwan compatriots." When asked if he would like to visit Taiwan, the Premier said Taiwan was a "treasure island of the motherland" and a place he had always wanted to go. Though now 67 years old, Wen said he would be willing to "crawl" to Taiwan if he could no longer walk.

DPRK: RESTART SIX-PARTY TALKS

¶14. (U) Wen sidestepped a question about North Korea's possible missile launch, replying instead that the most important task was to restart the Six-Party Talks. China was committed to the denuclearization of the Korean peninsula, which would contribute to the security not only of Korea but all of Northeast Asia. All parties to the Talks should "keep the big picture in mind, handle well differences and not take any contentious action." China would continue to "strengthen consultations" with the other five parties and keep the talks process "moving on a sound track." In answer to a question about the upcoming visit to China by DPRK Premier Kim Jong-il, Wen emphasized the "traditional friendship" between the two countries and said the discussion would include the "full range" of bilateral, regional and international issues, while also noting that Kim would be traveling in response to Wen's invitation.

CONCERN OVER CHINA'S HOLDING OF U.S. DEBT

¶15. (SBU) Premier Wen was asked how he would evaluate U.S. measures to counteract the global financial crisis in light of China's large holdings of U.S. debt and what China's strategy was for spreading its investment risks if the U.S. dollar depreciated. Wen responded that China was "paying close attention" to the U.S. economic situation and "looks forward to the results" of measures taken by the new Obama administration. However, Wen said, "after lending an enormous sum" to the United States, "we are certainly concerned about the security of our assets." "Frankly speaking," he said, "I am a little concerned." Wen urged the United States to "honor its credit, abide by its promises and ensure the security of China's assets." (NOTE: After the press conference, China's Xinhua news agency's English-language coverage carried Wen's comments by acknowledging the Premier's "worries" while at the same time reporting that Wen expected U.S. measures would "counter" the international financial crisis, and that Chinese reserves currently were "generally safe.") China's "huge foreign exchange reserves" demonstrated the strength of its economy, Wen said, asserting that China's first principle in managing this reserve was to "guard against risk" through maintaining the "security, liquidity and good value" of forex to pursue a "diversification strategy." China's top priority was to protect its own national interests, but it needed to also consider the interrelated issue of the stability of the international finance system.

CHINA'S CURRENCY

¶16. (U) Wen also addressed a reporter's question as to whether China could guarantee that it would assist

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international economic interests by not devaluing the RMB. Wen rejected the reporter's suggestion that the value of the RMB was depreciating, noting that it had appreciated against the U.S. dollar by 21 percent since July of 2005, and that the falling Euro and Asian currencies meant the RMB was appreciating and that this was putting great pressure on China's export sector. China's goal was to maintain a "basically stable value of the RMB." "We ourselves will make the decision," he declared, stating that "no country can pressure China to appreciate or depreciate" its currency.

¶17. (U) In answer to a question on whether China would contribute more to the IMF, Wen said the IMF issue was "complex" and that China was "paying close attention" to it. China's approach was based on several principles: structural reform of the IMF (including guarding against investment risks, balancing rights and obligations and considering the interests of developing countries), member states' responsibilities in accord with their quotas, expanding the variety of financing offered by international financial institutions and ensuring that countries increased their funding "on a voluntary basis and in line with national conditions."

REFORM WILL CONTINUE, INCLUDING POLITICAL REFORM

¶18. (U) China intended to "accelerate reform," which, Wen said, "was the only way to remove institutional barriers" and "implement the stimulus package," in response to a CCTV reporter's question on the impact of the financial crisis on reform. Wen called for reliance on the "market" to allocate resources and for non-governmental and private organizations to invest and contribute to the success of the stimulus plan.

More "political structural reform" was also an essential part of the economic policy, Wen said, including boosting "socialist democracy, freedom and rights," further judicial reform to foster "social equity and justice" and "oversight by various social sectors" to ensure that government administration "acts according to law."

CHINA-HONG KONG-MACAO

¶19. (U) The impact of the financial crisis was becoming "more acute" in Hong Kong and Macao, Wen said, asserting that China was nevertheless confident Hong Kong would maintain its status as a "global finance center." The Mainland would strengthen Hong Kong's financial situation and China-Hong Kong financial interactions, as well as boost Hong Kong access to China's markets. The Government Work Report had said China would accelerate infrastructure projects linking Hong Kong, Macao and the Mainland and that Beijing was solidly behind the Pearl River Delta development plan, which allowed the three areas to draw on each others' strengths. Wen concluded with a vote of confidence in the leadership of Hong Kong and Macao, saying they had proved their mettle in dealing with the Asian Financial Crisis and that China was confident they would also weather this storm.

SCO COPIES WITH DOWNTURN

¶20. (U) In response to a Russian journalist's question on how Shanghai Cooperation Organization (SCO) countries would respond to the economic crisis at their next meeting, which China will host this year, Wen said they would tackle the crisis by "strengthening cooperation." The impact on member states varied, but there would be "no problem tiding over difficulties through cooperation." Wen cited oil and financing agreements with Russia, and financial, energy and resources cooperation with Kazakhstan as examples. Wen predicted SCO cooperation on infrastructure projects in energy, resources, transportation, agriculture and high-tech fields.

FINANCIAL CRISIS AND DEVELOPING COUNTRIES

¶21. (U) Developing countries were suffering the most from the global economic downturn, Wen said, stating that as the world's "largest developing country," China supported giving developing countries a bigger role in solving the financial crisis. The upcoming G-20 summit in London should make this a "major" item on the agenda. China believed there should be no change in the Millennium Development Goals. Developed countries should give more weight to supporting developing countries, Wen said, and China will keep the commitments it

made at the G-20 in Washington by continuing to forgive developing countries' debt and cutting tariffs on the goods

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they export to China. He also stressed China's ongoing aid to Africa.

SINO-FRENCH RELATIONS: ONUS ON PARIS

¶22. (U) Wen said China-French relations had experienced "twists and turns" since the two countries established ties 45 years ago and that the two should move forward. The issue of French President Sarkozy's meeting the Dalai Lama, however, had hit at the core of China's interests. Thus, the onus was on France to repair the damage so that relations could be quickly restored, Wen said.

BIO NOTE: WEN'S COMMON TOUCH

¶23. (SBU) Demonstrating his popular touch, at the conclusion of the press conference, Premier Wen stepped off the rostrum and spent several minutes mixing with the assembled press corps, shaking hands, chatting and waving as he made his way to the exit.

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